

COPY

[EXECUTION COPY]

LANDMARK SETTLEMENT AGREEMENT

This Landmark Settlement Agreement (the "Agreement") is entered into, effective on the \_\_\_\_ day of November, 1997 (fourteen days after entry of an order approving this Agreement (the "Approval Order") by the U.S. Bankruptcy Court for the Northern District of Illinois (the "Bankruptcy Court"), by and between (i) Landmark Education Corporation ("Landmark"), a California for-profit corporation, (ii) the Board of Directors of the Cult Awareness Network, Inc. ("CAN" or "Debtor"), a California not-for-profit corporation, (iii) Philip V. Martino (the "Trustee"), solely in his capacity as Court appointed Chapter 7 trustee for Debtor, and (iv) Free Minds of North Texas, a Texas not-for-profit corporation (formerly known as Cult Awareness Network of North Texas) and William Rehling (co-defendants in the Landmark Litigation).

WITNESSETH

WHEREAS on October 11, 1995 (the "Petition Date") CAN voluntarily filed for chapter 11 bankruptcy protection under the United States Bankruptcy Code, 11 U.S.C. §§ 101 *et seq.* (the "Code");

WHEREAS the Debtor voluntarily converted its Chapter 11 bankruptcy case to a Chapter 7 bankruptcy case on or about June 20, 1996, which bankruptcy case (the "Bankruptcy Case") is pending in the Bankruptcy Court;

WHEREAS Landmark is currently engaged in litigation with CAN and others in the Circuit Court of Cook County, Illinois, case captioned *Landmark Education Corp. v. Cult Awareness Network, Inc. et al.*, No. 94 L 11478 (the "Landmark Litigation");

WHEREAS Landmark has previously caused to be filed a proof of claim in the Bankruptcy Case in the amount of \$25,000,000 (the "Landmark Claim"), on account of the Landmark Litigation;

WHEREAS on March 14, 1997, the Bankruptcy Court entered an Order (the "Abandonment Order") authorizing and directing the Trustee to abandon all of the books, records, files, correspondence, notes and all other materials of whatever kind or nature (whether printed, on computer format, or otherwise) currently owned, stored or maintained by the Debtor;

WHEREAS the Abandonment Order is currently stayed pending appeal to the United States District Court for the Northern District of Illinois, case captioned *Landmark Education Corp. v. Philip V. Martino, Chapter 7 Trustee of Cult Awareness Network*, No. 97 C 2432 (the "Abandonment Litigation");

WHEREAS it is the intent of the Parties that: (i) the Landmark Litigation and Claim and (ii) the Abandonment Litigation, be resolved on the terms and conditions as contained in this Agreement.

NOW THEREFORE, subject to the entry by the Bankruptcy Court of the Approval Order in form and substance as set forth in *Section II.3* hereof, and in consideration of the mutual promises, covenants and other consideration, the sufficiency of which is hereby acknowledged, the Parties hereby agree, stipulate and covenant as follows:

Upon the "Effective Date" (as defined in *Section II.2* hereof) of the Approval Order by the Bankruptcy Court the following shall occur and come into full force and effect:

**I. SETTLEMENT OF THE LANDMARK LITIGATION AND LANDMARK CLAIM**

1. (a) As used herein, "Landmark" includes "Landmark Education Corporation" and "The Landmark Forum."
- (b) This Agreement is binding on Landmark and CAN and their respective successors and assigns.
- (c) At this time, CAN has no affiliates or licensees.
- (d) The Board of Directors of CAN agrees to adopt the resolution ("Resolution") attached as Exhibit A hereto, effective November \_\_, 1997 (fourteen days after approval of this Agreement by the Bankruptcy Court).
- (e) The Resolution and this Agreement only address programs of the corporation named "Landmark Education Corporation" and its wholly-owned subsidiaries Landmark Education International, Inc. and Landmark Education Business Development, Inc., all of which began operations after February 1, 1991.
2. The Landmark Forum four-page form for registrants (the "Form"), copyrighted by Landmark in 1996, which Landmark represents has been in continuous use since 1991, includes a CONFIDENTIALITY AGREEMENT, a NOTICE and INFORMED CONSENT.
  - (a) The CONFIDENTIALITY AGREEMENT includes the statement, to be signed by the registrant: "I understand that The Landmark Forum is a private and personal experience for each participant. As such, I agree to respect the confidentiality of all participants and their remarks and actions, and I agree to keep all such information private and confidential."

- (b) The NOTICE includes the following statements: "Through a series of philosophically rigorous, open discussions, voluntary sharing of one's own experiences, and short exercises, The Landmark Forum provides an opportunity to explore basic questions that have been of concern to human beings throughout time. In The Landmark Forum, people come to grips with what it means to be human ... as a rigorous inquiry. .... Although most people find inquiring into these basic questions to be engaging, challenging and rewarding, some may find this to be difficult and unsettling. As with any serious undertaking in life, and to achieve the maximum value from The Landmark Forum, you should take the time now to determine whether or not you are physically, mentally and emotionally prepared to engage rigorously in these kinds of questions. .... The Landmark Forum (the "Program") is an educational program. It is not therapeutic in design, intent, or methodology and is not a substitute for medical treatment, psychotherapy, or any health program, regardless of what you may have heard from anyone. .... [W]e advise you specifically that the Program Leaders ... are not health professionals ... and that no health professionals will be in attendance at the Program."
- (c) The INFORMED CONSENT includes the statement: "I represent that I am participating in the Program voluntarily and not as a result of coercion, pressure, a condition of employment or to satisfy anyone other than myself. I am aware and understand that some persons may perceive the Program as physically or emotionally stressful. ... I know of no episodes in my past history which suggest to me that I have a mental or emotional disorder."
3. CAN and Landmark concur that prospective participants should read carefully and pay heed to Landmark's Form, including the NOTICE and INFORMED CONSENT provisions.
4. (a) Landmark represents that it seeks to make every effort to ensure that all registrants (A) participate voluntarily, and not as a result of outside requirements, pressure or deception and (B) are capable of deriving the benefits that Landmark seeks to provide.
- (b) Moreover, Landmark represents that it gives consideration to professional suggestions for improving Landmark's NOTICE and INFORMED CONSENT procedures (referenced in paragraph 3., above).
- (c) Landmark invites any member of the CAN Board to attend a Landmark Forum of his or her selection.
5. (a) For the future, CAN will not authorize, based upon facts as they exist as of the time of the Resolution, but will, to the contrary forbid, and will take action to stop any agent, employee, attorney, officer or director of CAN from making or

disseminating any statement on behalf of CAN, whether oral, written, electronic, internet or otherwise, or taking any other action on behalf of CAN which contradicts the agreed upon terms of the Resolution unless, and to the extent, if any, that new information about Landmark programs, of which CAN learns after the date of the Resolution, and of which CAN provides 30-days' notice to Landmark, justifies any such statement. Any such 30-day notice shall be given to Art Schreiber, Esquire, General Counsel, Landmark Education Corporation, 353 Sacramento Street, Suite 200, San Francisco, CA 94111, or such other address as Landmark furnishes.

- (b) If CAN decides to establish licensees or affiliates in the future, after its emergence from bankruptcy, CAN will also require them to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.
- (c) If, after CAN's emergence from bankruptcy, the CAN office receives a telephonic, electronic-mail or written request for information regarding Landmark or the Landmark Forum, CAN represents, covenants and agrees to have CAN personnel follow the following policy and procedure: CAN will decline to discuss Landmark or the Landmark Forum. CAN will not refer to Landmark as a "cult" or "cult-like" or bring up such labels at all, unless specifically asked. If asked specifically, CAN will answer that CAN does not hold the position that Landmark is a cult or apply a controversial label such as "cult-like" to Landmark or the programs of Landmark. The only written material about Landmark that CAN will furnish in response to a telephonic, electronic or written request to the CAN office for information regarding Landmark or any of Landmark's programs will be to supply a copy of this Agreement together with the appended Resolution, or of the Resolution alone.

6. **Handling and destruction of CAN packets about Landmark or "est/FORUM."**

- (a) When and to the extent CAN reacquires control and possession of its files and records, it will not deliver to any individual or other entity or resume sale or distribution to the public of any of its past or present packets on Landmark and/or "est/FORUM".
- (b) CAN and/or the Trustee will use their best efforts (if, to the extent and when they are legally free to do so), either before or after dismissal of the bankruptcy, to cause all known copies of such packets on Landmark or "est/FORUM" to be destroyed. They will cooperate, to the best of their ability, to carry out such destruction promptly at minimal or no cost to the estate.

7. **Dismissal of Landmark's Illinois complaint against CAN and one of its co-defendants.** Landmark will, immediately after the Effective Date defined in *Section II.3.*

below, dismiss with prejudice its complaint against CAN, Free Minds of North Texas, William Rehling and Cult Information Service, Inc. in the Landmark Litigation.

8. **Withdrawal of Landmark's bankruptcy claim.** Upon approval of this Agreement by the Bankruptcy Court, Landmark will be deemed to have withdrawn its Claim from the Bankruptcy Case with prejudice, and agrees to seek the immediate dismissal of the Abandonment Litigation with prejudice.
9. **Reciprocal releases.**
  - (a) Landmark and CAN, including their respective present or past attorneys, successors or assigns shall be deemed "Released Persons," and treated in accordance with *Section II.1* hereof.
  - (b) Subsection (a) will not apply to CAN's co-defendants in the Landmark Litigation except that Free Minds of North Texas and its present or past officers, directors, attorneys, successors or assigns and William Rehling shall also be deemed "Released Persons" and treated in accordance with *Section II.1* hereof as if named expressly therein.
10. **Status of CAN.** CAN filed in bankruptcy under Chapter 11 on October 19, 1995. CAN converted to Chapter 7 on June 20, 1996, and immediately thereafter, the interim trustee closed CAN's office and CAN ceased its public operations. On November 21, 1996, the Bankruptcy Court authorized and confirmed the permanent Trustee's sale of CAN's name and federally-registered service marks for some but not all purposes, as well as some (but not all) of CAN's other assets. That November 21, 1996, order is on appeal, pending before the 7<sup>th</sup> Circuit. *CAN v. Martino* (No. 97-3002). Aspects of that order are also before the Bankruptcy Court pursuant to Federal Rule of Civil Procedure 60(b) and by way of clarification in relation to the Trustee's draft order submitted September 18, 1997, to dismiss the CAN bankruptcy. On February 7 and March 14, 1997, the Bankruptcy Court ordered the Trustee to abandon to the CAN Board of Directors all of the remaining tangible assets of CAN. (That Abandonment Order is on appeal in the Abandonment Litigation.) And the Trustee's draft dismissal order, filed September 18, 1997, also provides for delivering all such tangible assets to a designee of the CAN Board of Directors. As a corporate entity, CAN has never been dissolved. The CAN Board of Directors meets from time to time and has adopted resolutions, including resolutions for consideration by the Trustee and the Bankruptcy Court which the Trustee has noted. In the event the Bankruptcy Court dismisses the bankruptcy, the CAN Board of Directors will be free to resume management of all CAN's affairs. The CAN Board believes that it may either use the corporate name "Cult Awareness Network, Inc." or a changed name, if it so elects, for purposes of managing its affairs (whether or not CAN may also use its trade name and/or service marks for purposes of fundraising, newsletters, conferences or the like).

11. Trustee represents that this Agreement, upon approval by final Bankruptcy Court order, will bind CAN during the bankruptcy. CAN represents that this Agreement will bind CAN after the bankruptcy and that its Board has the authority to adopt and implement the Resolution.

## **II. OTHER PROVISIONS**

1. The Trustee, on behalf of the Debtor and its estate, its attorneys, and all of the successors and assigns of the foregoing (together, the "Debtor Entities") and Landmark Education Corporation on behalf of itself, its agents and attorneys, and all of the successors and assigns of the foregoing (together, the "Landmark Entities") fully, finally and forever release and discharge the Parties and any and all of their respective attorneys, and all of the successors and assigns of the foregoing (together, the "Released Persons") from and against any and all actions, claims, causes of action, rights, suits, debts, controversies, accounts, defenses, bonds, bills, covenants, remedies, setoffs, crossclaims, counterclaims, third party claims, reimbursement claims, indemnity claims, contribution claims, judgments, damages, demands, charges, encumbrances, liabilities and obligations of any nature whatsoever, whether or not arising out of federal or state laws or regulations, statute, rules or common law, whether in contract, tort or otherwise, whether in law or equity, whether known or unknown, matured or unmatured, fixed or contingent, liquidated or unliquidated, disputed or undisputed, direct or indirect, choate or inchoate, including without limitation, claims for bad faith, consequential damages, gross negligence, punitive damages, exemplary damages, prejudgment interest and attorneys' fees (together, the "Claims"), if any, that the Debtor Entities or Landmark Entities may have, arising out of, based on, arising from or in any way related to anything whatsoever, except for those Claims pertaining to the obligations of the Released Persons under this Agreement.
2. The Approval Order shall provide, inter alia: (i) for the approval of and entry into force of this Agreement, and (ii) such other findings of fact, conclusions of law and relief as the Parties shall agree.
3. This Agreement shall become effective fourteen days after the entry and docketing by the Bankruptcy Court of the Approval Order without the Approval Order having been stayed, modified or otherwise vacated (the "Effective Date").
4. This Agreement: (i) shall be governed in accordance with the laws of the State of Illinois; (ii) represents the entirety of the agreement between the Parties hereto; and (iii) may be executed in counterparts, each of which when so executed shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

## **AGREED AND STIPULATED AS TO FORM AND SUBSTANCE:**

## LANDMARK EDUCATION CORPORATION

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## CULT AWARENESS NETWORK, INC., the Debtor

By: \_\_\_\_\_  
Title: \_\_\_\_\_

PHILIP V. MARTINO, Solely in His Capacity As Trustee for The Debtor,  
Cult Awareness Network, Inc.

By: Philip Martino  
Title: Trustee

Free Minds of North Texas, a Texas not-for-profit corporation (formerly known as Cult Awareness Network of North Texas), co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

William Rehling, co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

\_\_\_\_\_

## LANDMARK EDUCATION CORPORATION

By:

Title:

Arthur Scherler  
CHAIRMAN OF BOARD OF DIRECTORS

## CULT AWARENESS NETWORK, INC., the Debtor

By: \_\_\_\_\_

Title: \_\_\_\_\_

PHILIP V. MARTINO, Solely in His Capacity As Trustee for The Debtor,  
Cult Awareness Network, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Free Minds of North Texas, a Texas not-for-profit corporation (formerly known as Cult Awareness Network of North Texas), co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

By: \_\_\_\_\_

Title: \_\_\_\_\_

William Rehling, co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

\_\_\_\_\_



NOV-06-1997 12:19

P.02

## LANDMARK EDUCATION CORPORATION

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## CULT AWARENESS NETWORK, INC., the Debtor

By: William R. Rehling  
Title: PresidentPHILIP V. MARTINO, Solely in His Capacity As Trustee for The Debtor,  
Cult Awareness Network, Inc.By: \_\_\_\_\_  
Title: \_\_\_\_\_

Free Minds of North Texas, a Texas not-for-profit corporation (formerly known as Cult Awareness Network of North Texas), co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

William Rehling, co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

William R. Rehling

## LANDMARK EDUCATION CORPORATION

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## CULT AWARENESS NETWORK, INC., the Debtor

By: \_\_\_\_\_  
Title: \_\_\_\_\_

PHILIP V. MARTINO, Solely in His Capacity As Trustee for The Debtor,  
Cult Awareness Network, Inc.

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Free Minds of North Texas, a Texas not-for-profit corporation (formerly known as Cult Awareness Network of North Texas), co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

By: Hope H. Evans  
Title: President

William Rehling, co-defendant in the Landmark Litigation, joins in and agrees to adhere to this Agreement, including section 5(a), above, and the terms of the Resolution.

\_\_\_\_\_

"EXHIBIT A"

Certified Resolution of the Board of Directors of the  
Cult Awareness Network, Inc.  
A California Not-for-Profit Corporation

William Svoboda, being the Secretary of the Cult Awareness Network, Inc., hereby certifies that at a meeting of the Board of Directors duly held on October 26, 1997, the annexed Resolution was adopted and is still in full force and effect.

The Board of Directors of the Cult Awareness Network, Inc. ("CAN"), a California not-for-profit corporation, being empowered to do so and after full discussion adopts this resolution ("Resolution") effective November \_\_, 1997 (14 days after approval of this Agreement by the U.S. Bankruptcy Court for the Northern District of Illinois).

- a. The following statement, as well as any Agreement relying thereon, only addresses programs of the corporation named "Landmark Education Corporation" and its wholly-owned subsidiaries Landmark Education International, Inc. and Landmark Education Business Development, Inc., all of which entities began operations after February 1, 1991.
- b. CAN does not hold, and has never held the position that Landmark Education Corporation, or any of the programs of Landmark Education Corporation, including The Landmark Forum ("Landmark"), is a "cult" or "sect."
- c. Although CAN has not classified "Landmark" by name as a "cult," certain actions may well have given that impression. For example, when the CAN office received inquiries about Landmark (including inquiries about Landmark's "Forum" program), for a period of time after Landmark came into being in 1991 CAN would mail brochures, copyrighted by CAN in 1990, about CAN and about "Destructive Cults", about characteristics of cult groups; "WHAT IS A DESTRUCTIVE CULT?"; and "WHO ARE THEY?" which included "The Forum" in a list of groups. Moreover, CAN has offered for sale packets on a number of "specific groups" including "est/FORUM" as recently as 1996.
- d. CAN has never authorized any officer, director, staff employee, affiliate or licensee on its behalf to take the position, written or otherwise, that Landmark or The Landmark Forum is a "cult" or a "destructive cult."
- e. CAN also states:
  - i. Although CAN has received some criticisms of Landmark programs from participants and others, it has never secured or attempted to secure independent,

systematic and objective evaluations of the criticisms CAN has received, or learned of from secondary sources, regarding any of the programs of Landmark.

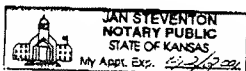
- ii. When CAN compiled statistics about communications it had received about Landmark, it did not separate statistics about *criticisms* from statistics about *questions* or comments *favorable* to Landmark. Moreover, CAN statistics did not distinguish anonymous criticisms from criticisms where identity of the critic could be verified.
  - iii. CAN believes that understanding the impacts of Landmark's programs on different participants is an area with room for accumulating greater knowledge.
  - iv. CAN has never had evidence that would justify taking the position that either Landmark or any program of Landmark has the characteristics of a "cult" or "sect."
  - v. Therefore, CAN has decided not to and it shall not apply controversial labels such as "cult" or "cult-like" to Landmark or any of its programs and CAN will not intentionally give the impression, by word or deed (including but not limited to oral, written, internet, electronic or otherwise) that CAN regards any of them to be a "cult" or "cult-like." Rather than apply general labels, or trying to generalize about positive or negative (or mixed) impacts on *all* potential participants, the informed consent process should help *each* individual decide whether a particular program is now appropriate for that individual.
  - vi. CAN favors the inclusion of NOTICE and INFORMED CONSENT provisions in Landmark's Forum registration form and encourages prospective participants to read such provisions carefully.
- f. CAN profoundly and sincerely regrets all misunderstandings and misimpressions which have arisen in the past and *whatever* damages Landmark, any of its programs or their reputation sustained as a result of any CAN actions, including without limitation, CAN's responses to inquiries about Landmark or the listing of CAN's packet on "est/FORUM" among the packets on "specific groups." It was never CAN's motive to cause *any* such damage to Landmark. CAN's motive with respect to Landmark was and is *solely* to facilitate informed consent.
- g. CAN understands that Landmark has entered into an agreement with Margaret T. Singer, Ph.D. ("Landmark-Singer Settlement"), settling a dispute concerning a book she co-authored entitled *CULTS IN OUR MIDST: THE HIDDEN MENACE IN OUR EVERYDAY LIVES* (Jossey-Bass Publishers 1995) (the "Singer Book"), and calling for a change in the next edition of the Singer Book. CAN has decided and agrees that if, after its emergence from bankruptcy, CAN elects to sell copies of the first edition of the Singer Book, CAN will

enclose in the front of the book the relevant language from the Landmark-Singer Settlement (which language shall be provided by Landmark to CAN).

- h. CAN also understands that Landmark would prefer that CAN not sell at all copies of a biography of Werner Hans Erhard by Steven Pressman entitled OUTRAGEOUS BETRAYAL (St. Martin's Press 1993) (the "Pressman Book"). CAN has not previously considered whether, after its emergence from bankruptcy, CAN would consider it appropriate to sell copies of the Pressman Book at all, for any purpose. In the interests of settling a dispute and in deference to Landmark's preference, however, CAN now agrees not to sell the Pressman Book for at least five years after CAN emerges from bankruptcy.

/s/ William F. Lortie this 3 day of March 1997.

Notarized:



*Jan Steventon*